

Scenario 3: Bloc builder

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The third scenario, "Bloc builder", assumes a deeper geopolitical fragmentation. Relations between the United States and China deteriorate further, perhaps as a result of a crisis in the Taiwan Strait or of a broader conflict over technology. The United States extends export controls, outbound investment screening and BIOSECURE-type restrictions to biotechnology licensing, clinical data and research collaboration. China responds with its own restrictions, including on the export of active ingredients and intermediates. The European Union follows the United States in some respects and pursues its own strategic autonomy in others.¹

In such a world, the Basel groups would have to organise dual supply chains, one for the Western markets and one for China and perhaps other markets aligned with it, with separate research collaborations, data infrastructures and compliance regimes. Switzerland would face a choice. As a neutral country with free trade agreements with both China and the European Union, and with a growing network of agreements elsewhere, it could try to position Basel as a neutral hub, where companies manage both parts of their business under one legal roof. The difficulty is that neutrality in trade has limits when the United States applies secondary measures to entities that deal with its adversaries, as the experience of Swiss banks with American sanctions has shown.²

Syngenta is the critical test case in this scenario. A company owned by the Chinese state and headquartered in Basel, with major operations in the United States, Brazil and Europe, would face pressure to separate its business into parts that could be owned and controlled in different blocs. The financial consequences would affect its bonds, its banks and its employees in Basel. For the financial centre, "Bloc builder" is a scenario of opportunity and risk at the same time. Demand for advice on sanctions, export control, investment screening and restructuring would rise sharply. Banks would have to manage the risk of financing companies exposed to

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both sides. The pension funds and wealth managers of the region would have to reconsider the concentration of their portfolios in a few exposed groups. The signposts include American legislation extending BIOSECURE to licensing and research, Chinese export restrictions on pharmaceutical intermediates, the treatment of Syngenta by American and European authorities, and the entry into force of a Swiss investment screening regime.

1 Notes

1. On the European Union's economic security strategy, including the Commission's Joint Communication on a European Economic Security Strategy of 20 June 2023 (JOIN(2023) 20) and subsequent proposals on outbound investment and export controls, see the Commission's publications. Status to be verified. ↩
2. On the extraterritorial reach of US sanctions and the experience of Swiss financial institutions, see Part H, Chapter III on sanctions, and Part E on the end of banking secrecy. To be verified. ↩

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